

**MEMORANDUM**

April 24, 2015

TO: Government Operations and Fiscal Policy Committee

FROM: Chris Cihlar, Director   
Office of Legislative Oversight

SUBJECT: **Worksession: FY16 Operating Budget  
Office of Legislative Oversight  
Independent Financial Audit Non-Departmental Account**

**Summary of staff recommendation:** Approve the Executive's recommended FY16 budget for the Office of Legislative Oversight and the Independent Financial Audit Non-Departmental Account.

The County Executive's FY16 recommendations for the Office of Legislative Oversight and Independent Audit NDA are attached beginning at 1. OMB staff member, Crystal Brockington Sallee, is expected to attend this worksession.

**OFFICE OF LEGISLATIVE OVERSIGHT**

The Executive Recommended FY16 Budget for the Office of Legislative Oversight is \$1,479,274. The table below summarizes the changes from the FY15 Approved Budget of \$1,435,503. The recommended budget represents a same services request from FY15 to FY16.

Category	FY15 Approved	FY16 CE Recommended	Change FY15-FY16
<b>Expenditures</b>			
Total Personnel	\$1,409,301	\$1,454,164	3.2%
Total Operating	\$26,202	\$25,110	(4.2%)
Total Budget	\$1,435,503	\$1,479,274	3.0%
<b>Personnel</b>			
FTEs	11.0	11.0	-----

Personnel costs account for 98.3% of OLO's budget. The Executive's Recommended FY16 budget reflects the following changes in personnel and operating costs:

- Decreased costs associated with printing and mailing;
- Increased costs related to the County Executive's recommended compensation increases; and
- Increased costs from a mid-year position reclassification.

**Staff Recommendation:** Approve the Office of Legislative Oversight budget as included in the Executive's Recommended FY16 Operating Budget.

#### **INDEPENDENT FINANCIAL AUDIT NON-DEPARTMENTAL ACCOUNT**

The Executive's FY16 Recommended Operating Budget includes **\$420,820** for the Independent Financial Audit NDA. This NDA funds the independent audit of the FY15 financial statements issued by the County Government and other related audit work. This amount represents a zero percent increase from the FY15 appropriation for this NDA.

On March 24, 2015, the Council introduced a resolution to authorize the Council President to renew the contract with CliftonLarsonAllen LLP to conduct work related to the audit of the County Government's FY15 financial statements. The Council voted to approve the resolution on April 14, 2015.

**Staff Recommendation:** Approve the Independent Audit Non-Departmental Account as included in the Executive's Recommended FY16 Operating Budget.

Attachments: County Executive's Recommended Budget ©1  
Update on Prior Year's Progress - OLO Work Program ©4

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# Legislative Oversight

## MISSION STATEMENT

The mission of the Office of Legislative Oversight (OLO) is to determine the effectiveness of legislation enacted by the County Council, and to make findings and recommendations concerning the performance, management, and operation of programs and functions for which funds are appropriated or approved by the Council.

## BUDGET OVERVIEW

The total recommended FY16 Operating Budget for the Office of Legislative Oversight is \$1,479,274, an increase of \$43,771 or 3.0 percent from the FY15 Approved Budget of \$1,435,503. Personnel Costs comprise 98.3 percent of the budget for 11 full-time positions, and a total of 11.00 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 1.7 percent of the FY16 budget.

## LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ ***A Responsive, Accountable County Government***

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***OLO's youth and work report provided an inventory of all Montgomery County Government and Montgomery College workforce development programs serving disconnected (unemployed and out of school) youth in the County.***
- ❖ ***OLO's report, Performance of Montgomery County Public Schools' High Schools, described changes in student demographics and student achievement among high-poverty and low-poverty high schools and provided an update on the school systems progress in narrowing the achievement gap over the past four years.***
- ❖ ***OLO developed the Interactive Fiscal Plan, an online tool that allows users to better understand the relationship among budget elements and to explore alternative approaches to balancing the budget.***
- ❖ ***OLO's report on streamlining the development process presented data about approval completion times by phase and cycle for preliminary plans, site plans and record plats; a summary of past and current streamlining efforts and a review of the metrics and approaches surrounding jurisdictions use to manage their approval processes.***
- ❖ ***Productivity Improvements***
  - ***As a result of an OLO report's recommendations on how to improve coordination between the County Department of Transportation and local utilities, the County Government and the Washington Suburban Sanitary Commission developed a new system to track and coordinate construction work in County rights-of-way.***

## PROGRAM CONTACTS

Contact Chris Cihlar of the Office of Legislative Oversight at 240.777.7987 or Crystal B. Sallee of the Office of Management and Budget at 240.777.2778 for more information regarding this department's operating budget.

## PROGRAM DESCRIPTIONS

### ***Legislative Oversight***

The Office of Legislative Oversight (OLO) conducts program evaluations, base budget reviews, audits, and other special studies in accordance with a Council-approved work program. OLO studies the effectiveness of legislation enacted by the Council and makes findings and recommendations concerning the performance, management, and operation of programs and functions for which funds are approved or appropriated by the Council. OLO is also the designated administrator for the Council's audit contracts, as required under Section 315 of the County Charter.

## BUDGET SUMMARY

	Actual FY14	Budget FY15	Estimated FY15	Recommended FY16	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	948,399	1,073,102	1,079,125	1,088,001	1.4%
Employee Benefits	330,293	336,199	353,884	366,163	8.9%
<b>County General Fund Personnel Costs</b>	<b>1,278,692</b>	<b>1,409,301</b>	<b>1,433,009</b>	<b>1,454,164</b>	<b>3.2%</b>
Operating Expenses	19,767	26,202	26,081	25,110	-4.2%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>1,298,459</b>	<b>1,435,503</b>	<b>1,459,090</b>	<b>1,479,274</b>	<b>3.0%</b>
<b>PERSONNEL</b>					
Full-Time	11	11	11	11	—
Part-Time	0	0	0	0	—
FTEs	11.00	11.00	11.00	11.00	—

## FY16 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>COUNTY GENERAL FUND</b>		
<b>FY15 ORIGINAL APPROPRIATION</b>	<b>1,435,503</b>	<b>11.00</b>
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: FY16 Compensation Adjustment	46,692	0.00
Technical Adj: Mid-Year Change - Position reclassification	20,244	0.00
Increase Cost: Retirement Adjustment	9,122	0.00
Increase Cost: Group Insurance Adjustment	3,201	0.00
Decrease Cost: Printing and Mail	-1,092	0.00
Decrease Cost: Annualization of FY15 Personnel Costs	-34,396	0.00
<b>FY16 RECOMMENDED:</b>	<b>1,479,274</b>	<b>11.00</b>

## FUTURE FISCAL IMPACTS

Title	CE REC.			(\$000's)		
	FY16	FY17	FY18	FY19	FY20	FY21
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>COUNTY GENERAL FUND</b>						
<b>Expenditures</b>						
<b>FY16 Recommended</b>	<b>1,479</b>	<b>1,479</b>	<b>1,479</b>	<b>1,479</b>	<b>1,479</b>	<b>1,479</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
<b>Subtotal Expenditures</b>	<b>1,479</b>	<b>1,488</b>	<b>1,488</b>	<b>1,488</b>	<b>1,488</b>	<b>1,488</b>

**Independent Audit**

Section 315 of the County Charter requires the County Council to contract with a Certified Public Accountant for an independent post audit of all financial records and actions of the County government, its officials, and employees. By County Resolution, the Office of Legislative Oversight is the designated administrator for this contract, which also includes an independent audit of the basic financial statement of the Employee Retirement Plans; an independent audit of the basic financial statements of the Montgomery County Union Employees Deferred Compensation Plan; and additional services related to reviews, tests, and certifications.

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>420,820</b>	<b>0.00</b>
<b>FY16 CE Recommended</b>	<b>420,820</b>	<b>0.00</b>

**Memorandum**

April 28, 2015

To: Government Operations and Fiscal Policy Committee

From: Chris Cihlar, Director  
Office of Legislative Oversight (OLO)

Subject: Update on Prior Year's Progress – OLO Work Program

Below is a brief update on the progress the Office of Legislative Oversight has made on assignments and a summary of the initiatives taken in FY15.

Project Number	Title	Summary
1	Partnering with Local Business Areas	<p>This OLO project will research partnerships between government and local communities, chambers of commerce and local business groups that have succeeded in improving promotion and management of local business and community districts. Recognizing that a one-size-fits-all approach is not appropriate for the diversity of communities within Montgomery County's borders, this study will present several approaches to encompass Montgomery County's range of local business areas and community centers.</p> <p><b>UPDATE:</b> 2015-7 Released 2/24/2015</p>
2	Fiscal Impact Statements	<p>During FY15, the Office of Legislative Oversight will examine all fiscal impact statements that the Council receives from the Executive Branch and, when a Councilmember, OLO or Council staff member believes it appropriate, will provide further analysis for Council consideration. Each month, OLO will prepare a summary report of all fiscal impact statements received. These reports will include an explanation of why OLO did or did not provide further analysis of pending legislation or Executive regulations. OLO will also consult with Councilmembers if they request analysis earlier in the legislative process.</p> <p><b>UPDATE:</b> Ongoing</p>

3	Two-Generational Approach to Poverty	<p>The County Council wants to better understand how a two-generational approach to poverty might be implemented most successfully in Montgomery County. To this end OLO will provide the Council with a report that answers three specific questions:</p> <ul style="list-style-type: none"> <li>• What programs based on a two-generational approach to poverty have been implemented elsewhere?</li> <li>• What factors have led to the success (and failures) of these programs?</li> <li>• What types of programs might have the best chance of succeeding in Montgomery County? This section will include recommendations about how Montgomery County can, if it so desires, move towards a two-generational approach to poverty.</li> </ul> <p><b>UPDATE:</b> In progress. Expected summer release.</p>
4	Affordable Housing in Montgomery County	<p>This OLO project will examine the stock of affordable housing in the County and document how it has changed since 1980. OLO will focus on both affordable rental and owner-occupied units and the geographic distribution of these units.</p> <p><b>UPDATE:</b> In Progress. Expected late summer or early fall release.</p>
5	Local Student Discipline and Criminal Justice Trends	<p>The purpose of this project is to improve the Council's understanding of student discipline and criminal justice trends. Specific topics that may be considered include:</p> <ul style="list-style-type: none"> <li>• Policies, programs, and practices that contribute to student discipline and criminal justice trends,</li> <li>• Individual and community risk factors for at-risk behaviors,</li> <li>• How many local youth are at-risk or are currently served by the criminal justice system,</li> <li>• The alignment between best practices and local practices for reducing youth incarceration rates, and</li> <li>• Perspectives of stakeholders on what works well and opportunities for improvement.</li> </ul> <p><b>UPDATE:</b> In Progress. Expected late spring release.</p>
6	A Review of Childcare in Montgomery County	<p>OLO will provide an inventory of the available childcare options in Montgomery County and organize these resources by geographic location. Councilmembers also want to understand better the geographic areas of the County that currently have the greatest need for childcare and where future need is most likely to occur.</p> <p>Additionally, OLO will examine initiatives undertaken in other jurisdictions that have successfully increased the availability and/or affordability of childcare. Finally, OLO will examine County and state programs that provide subsidies for childcare to determine how available funds can best be streamlined for maximum benefit to County residents.</p> <p><b>UPDATE:</b> Not Begun. Kickoff scheduled for early May. Expected mid-summer release.</p>

7	A Review of the Operations and Services of the Department of Liquor Control	<p>This OLO project will examine the operations of the Department of Liquor Control. Specific areas of focus may include:</p> <ul style="list-style-type: none"> <li>• DLC’s process for selecting beverages for resale,</li> <li>• Customer feedback on DLC’s services,</li> <li>• DLC’s licensing requirements and options, and/or</li> <li>• How alcoholic beverage licensing, sales, and operations impact the County’s nighttime economy,</li> <li>• The revenue and income generated by DLC.</li> </ul> <p>The project will seek to identify potential options to increase efficiency and/or improve service to Montgomery County residents and businesses.</p> <p><b>UPDATE:</b> Report #2015-6 Released 2/10/2015</p>
8	MCPS Modernizations	<p>To improve the Council’s oversight of MCPS’ CIP, this OLO project on school modernizations will:</p> <ul style="list-style-type: none"> <li>• Review and synthesize the literature on best practices for modernizing and maintaining school facilities.</li> <li>• Review state, Board of Education, and MCPS’ policies and practices relevant to school revitalizations and expansions within MCPS. This will include a review of how MCPS school modernizations are funded and the results of any studies MCPS has conducted related to the performance of the school modernization program.</li> <li>• Research and write-up case studies of alternative approaches to school modernizations that are being implemented in other school systems.</li> </ul> <p><b>UPDATE:</b> In Progress. Expected late spring release.</p>
9	Parking Lot District Financial Management and Budgeting	<p>The purpose of this OLO report is to review the financial management and budgeting practices that affect the long-term fiscal health of each of the County’s parking lot districts.</p> <p><b>UPDATE:</b> 2015-5 Released 1/27/2015</p>
10	Procurement and Internal Processes	<p>The purpose of this OLO report will be to examine how the Office of Procurement’s policies and processes serve government departments and offices and whether or not there are areas where these policies and processes might be changed to improve effectiveness and efficiency.</p> <p><b>UPDATE:</b> Not Begun. Expected late summer release.</p>

11	The Behavioral Health System in Montgomery County	<p>This OLO report will build upon the March of 2014 Behavioral Health Action Plan Report released by the Healthy Montgomery Behavioral Health Work Group. It will:</p> <ul style="list-style-type: none"> <li>• Provide an inventory of behavioral health services in the County, including those for special populations (e.g., correctional populations) and targeted issues (e.g., bullying),</li> <li>• Examine if gaps in services exist in certain geographic areas and for certain demographic groups. and</li> <li>• Examine if gaps exist in the continuum from wellness promotion to recovery.</li> <li>• Identify approaches for addressing gaps in services.</li> </ul> <p><b>UPDATE:</b> Out for review. Release date late May.</p>
12	Management of the Council's Independent Audit Contracts	<p>Section 315 of the County Charter requires the Council to contract with a certified public accountant to perform an annual independent audit of the County Government's financial statements. The Council also contracts for the annual audit of the financial statements of the employee retirement plans and the Montgomery County Union Employees Deferred Compensation Plan. Since 1991, the Council has assigned the Office of Legislative Oversight the responsibility to act as the Council's contract administrator and provide support to the Council during the period of audit engagement. OLO carries out these responsibilities with oversight and guidance from the Council's Audit Committee.</p> <p><b>UPDATE:</b> Ongoing</p>
13	Assist with the Review of the FY16 Operating budget	<p>During the spring of 2015, OLO staff will assist Central Council staff to prepare analyses for Committee and Council worksessions on the FY16 operating budget. This project is similar to OLO's operating budget-related assignment in recent years. For this portion of the FY15 Work Program, the OLO Director will work collaboratively with the Council Administrator to identify specific budget areas for OLO staff assistance. Priority consideration will be given to topics that OLO has studied before.</p> <p>Additionally, OLO will assist the County Council on additional budget related analysis throughout the year.</p> <p><b>UPDATE:</b> Ongoing</p>
14	Staff Support for the Council's Audit Committee	<p>As directed by Council resolution, OLO will ensure that the Audit Committee receives "assistance from the Council staff, the Office of the Inspector General, Executive Branch and other County agency staff, and contractors with appropriate expertise" in carrying out its "oversight of financial reporting and risk assessment."</p> <p><b>UPDATE:</b> Ongoing</p>
15	311 Support and Bi-weekly Reports	<p>OLO staff will provide support for calls they receive from constituents with MC311 related requests. Councilmember offices will now have the option of contacting OLO about the status any service request. OLO will then provide the requested information as well as publish a bi-weekly report summarizing the requests.</p> <p><b>UPDATE:</b> Ongoing</p>
16	Commission on Common Ownership Communities	<p>This OLO Report will help the Council understand how the CCOC currently functions and what changes, if any, might be made to the CCOC that would allow it to function more effectively in today's environment.</p> <p><b>UPDATE:</b> 2015-8 Released 3/10/2015</p>

17	Resources and Staffing Among MCPS Schools	<p>To help improve the Council's understanding and oversight of how MCPS funds schools to help narrow the achievement gap, this project will describe trends in resources and staffing among MCPS' high- and low-poverty schools.</p> <p><b>UPDATE:</b> Draft complete. Out for review. Release early May.</p>
18	Memo Assignments as Needed	<p>One of OLO's FY15 priorities is to provide more flexibility in its ability to take on and complete assignments that arise over the course of the year. Projects added will be released in the same manner as past OLO projects but will not necessarily be referred to a committee for discussion.</p> <p><b>UPDATE:</b></p> <p>(A) 2015-3 Workforce Development: This memorandum report was completed and released on 12/9/2014. It summarizes the workforce development services provided to adults and reviews efforts in providing these services competently.</p> <p>(B) 2015-4 Ready for Tomorrow: Released 12/9/2014 This memorandum report is a follow up to the Council sponsored summit and captures key points shared at the summit and serves as a reference for future discussions.</p> <p>(C) 2015-10 School Systems with Offices of Inspectors General: Released 4/14/2015. It summarizes information on school systems with dedicated inspectors general.</p> <p>(D) Economic Impact Analysis: This memorandum report is in progress.</p>